QINFA

中國秦發集團有限公司

CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Reference is made to the profit warning announcement of China Qinfa Group Limited (the "**Company**") dated 15 March 2024 .The Board of Directors (the "**Board**") of the Company is pleased to announce the final results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023:

- Revenue was RMB3.4 billion in 2023, representing a decrease of 9.1% from RMB3.8 billion in 2022.
- Coal handling and trading volume and commercial coal production volume in 2023 were approximately 5.19 million tonnes and 4.88 million tonnes respectively, representing an increase of 14.6% and an increase of 8.0% as compared to 2022.
- Gross profit margin in 2023 was 25.5%. As compared with gross profit margin of 33.6% in 2022, the decrease in gross profit margin was mainly due to the decrease in average selling price of thermal coal.
- Operating profit was RMB523.9 million, representing a decrease of 48.7% from RMB1,020 million in 2022. The decrease in operating profit was mainly due to decrease of gross profit in 2023.
- Profit after taxation for the year was RMB192 million in 2023, as compared with profit after taxation for the year of RMB490 million in 2022.
- Profit attributable to equity shareholders of the Company for the year was RMB200.3 million in 2023, as compared with profit attributable to equity shareholders of the Company of RMB456.5 million in 2022.
- Basic earnings per share of the Company was RMB7.8 cents in 2023 as compared with basic earnings per share of RMB18.1 cents in 2022.
- Diluted earnings per share of the Company was RMB7.7 cents in 2023 as compared with diluted earnings per share of RMB17.5 cents in 2022.

The Board does not recommend the payment of final dividends for the year 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**3,449,182**	3,794,039
Cost of sales		**(2,571,162)**	(2,520,756)
Gross profit		**878,020**	1,273,283
Other income, gains and losses	6	**2,016**	85,533
Distribution expenses		**(2,207)**	(2,100)
Administrative expenses		**(297,643)**	(305,286)
Impairment losses on property, plant and equipment		**(32,712)**	–
Impairment losses on coal mining rights	12	**(12,443)**	–
Impairment losses on prepayments and other receivables, net		**(3)**	(3,082)
Other expenses		**(11,169)**	(27,878)
Operating profit		**523,859**	1,020,470
Finance income		**12,950**	16,197
Finance costs		**(184,672)**	(269,886)
Net finance costs	7	**(171,722)**	(253,689)
Profit before taxation	8	**352,137**	766,781
Income tax expense	9	**(160,110)**	(276,745)
Profit after taxation		**192,027**	490,036

	Note	2023 RMB'000	2022 RMB'000
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(8,191)**	11,714
Other comprehensive (loss)/income for the year, net of tax		**(8,191)**	11,714
Total comprehensive income for the year		**183,836**	501,750
Profit for the year attributable to:			
Equity shareholders of the Company		**200,346**	456,543
Non-controlling interests		**(8,319)**	33,493
Profit for the year		**192,027**	490,036
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**192,155**	468,257
Non-controlling interests		**(8,319)**	33,493
Total comprehensive income for the year		**183,836**	501,750
Earnings per share attributable to the equity shareholders of the Company during the year	*10*		
Basic earnings per share		**RMB7.8 Cents**	RMB18.1 Cents
Diluted earnings per share		**RMB7.7 Cents**	RMB17.5 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Coal mining rights	12	**1,864,159**	2,367,351
Property, plant and equipment	13	**4,099,728**	3,432,903
Right-of-use assets		**18,909**	17,325
Other deposit		**28,331**	27,858
Interest in an associate		**–**	–
		6,011,127	5,845,437
Current assets			
Inventories		**201,046**	439,373
Trade receivables	14	**65,741**	178,867
Prepayments and other receivables		**358,632**	387,181
Pledged and restricted deposits		**918,295**	143,676
Cash and cash equivalents		**302,732**	855,997
		1,846,446	2,005,094
Current liabilities			
Trade payables	15	**(420,599)**	(387,564)
Other payables and contract liabilities		**(2,579,441)**	(1,967,025)
Lease liabilities		**(3,487)**	(8,794)
Borrowings	16	**(1,876,125)**	(3,447,453)
Tax payable		**(289,656)**	(350,097)
Deferred income		**(1,900)**	–
		(5,171,208)	(6,160,933)
Net current liabilities		**(3,324,762)**	(4,155,839)
Total assets less current liabilities		**2,686,365**	1,689,598

	Notes	2023 *RMB'000*	2022 *RMB'000*
Non-current liabilities			
Accrued reclamation obligations		**(115,320)**	(179,614)
Lease liabilities		**(7,321)**	(1,534)
Borrowings	*16*	**(1,689,917)**	(73,307)
Deferred taxation		**(538,497)**	(621,932)
Deferred income		**(16,392)**	–
		(2,367,447)	(876,387)
Net asset		**318,918**	813,211
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(841,021)**	(355,048)
Total (deficit)/equity attributable to equity shareholders of the Company		**(472,866)**	13,107
Non-controlling interests		**791,784**	800,104
Total equity		**318,918**	813,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (2007 Revision) of the Cayman Islands. The directors of the Company consider the immediate and ultimate holding companies of the Group to be Fortune Pearl International Limited ("**Fortune Pearl**"), a company incorporated in the British Virgin Islands and the ultimate controlling shareholder to be Mr. Xu Jihua ("**Mr. Xu**"), the sole shareholder of Fortune Pearl. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 3 July 2009 (the "**Listing Date**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1−1111, Cayman Islands and the principal place of business of the Company is Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the People's Republic of China (the "**PRC**").

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchases and sales, filtering, storage, blending of coal in the PRC and shipping transportation.

The Company's functional currency is Hong Kong dollars ("**HKD**"). However, the presentation currency of the consolidated financial statements is Renminbi ("**RMB**") in order to present the operating results and financial position of the Group based on the economic environment in which the operating subsidiaries of the Group operate.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2023, the Group had net current liabilities of approximately RMB3,324,762,000 (2022: net current liabilities of approximately RMB4,155,839,000). As at 31 December 2023, borrowings and accrued interest (including default interest) amounting to approximately RMB492,444,000 (2022: RMB1,330,634,000) and approximately RMB176,405,000 (2022: RMB219,718,000) respectively had been due for immediate payment, in which short-term bank borrowings was nil (2022: RMB590,990,000) which are short-term bank facilities that have been rolled over upon respective maturities in the past several years, other borrowing of RMB492,444,000 (2022: RMB492,444,000) and related interest payable of RMB176,405,000 (2022: RMB199,402,000) classified as current liabilities in respect of Settlement Agreement of Loan III (as defined and detailed in note 16) only have total carrying amount of RMB219,918,000 (2022: RMB50,602,000) payable within twelve months from 31 December 2023 (2022: twelve months from 31 December 2022) if only based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III (as explained in note 16), and other borrowings of RMB45,746,000 (2022: RMB247,200,000) are due to an asset management company or other lenders with the status as detailed in below note 2(ii).

In addition, pursuant to the settlement agreements (as detailed in note 16) entered into during the years ended 31 December 2018 and 2021, there are default clauses that the asset management companies can require the Group to pay the outstanding balance of the original borrowings and interest payable immediately in the event of default. As at 31 December 2023, in respect of the settlement agreements, other borrowings, which had no event of default occurred so far up to the end of the reporting period, with carrying amounts of only RMB2,257,498,000 (2022: RMB2,607,894,000) and related interest payable of RMB176,405,000 (2022: RMB199,402,000) were recognised in the Group's consolidated statement of financial position.

Moreover, there are a number of litigations against the Group of which the details are set out in note 17 to the consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB458,000 (2022: RMB13,000) were restricted for use in relation to the litigation proceeding.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2023 and subsequently thereto up to the date when the consolidated financial statements are authorised for issue. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the consolidated financial statements are authorised for issue, which include but not limited to, the followings:

(i) for borrowings which will be maturing before 31 December 2024, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company are of the view that based on past experience and the current communication with banks/lenders, no significant difficulties are expected in renewing the lender's borrowings and banks' short-term revolving borrowings upon their maturities;

(ii) in relation to those borrowings that have been past due or those borrowings that became immediately repayable due to cross-default clauses set out in the respective loan agreements, which are classified as current liabilities and detailed in note 16, the Group is in the process of negotiating with the relevant banks and other lenders to extend the repayment dates and to obtain waivers from banks and other lenders. The directors of the Company are of the view that based on past experience and the current communication with banks/lenders, it is not probable that the banks will exercise the cross-default clauses to demand immediate payment;

(iii) the Group will actively obtain additional new sources of financing as and when needed;

(iv) given the stability demand in coal market and coal prices still within moderately favourable range, the Group will accelerate the coal production of those coal mines currently under production and apply for the renewal of those expired coal mining rights of coal mines not yet commenced production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, to increase the Group's internally generated funds and operating cash inflows in coming years continuously. The Group recorded a net operating cash inflow of approximately RMB1,460,298,000 (2022: RMB984,432,000) during the year; and

(v) the Group has appointed external lawyers and/or assigned internal lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any legal claims. In respect of some of the litigations, the directors of the Company are of the opinion that the Group has valid grounds to defend against the claims.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are optimistic that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 31 December 2023. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2023;

(ii) the Group also, as at 1 January 2023, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Groups' financial position and performance, except that the Groups disclose the related deferred tax assets of RMB1,696,000 and deferred tax liabilities of RMB2,143,000 on a gross basis as at 31 December 2023 in respect of new leases entered during the year in Note 19 but it has no impact on the retained earnings at the earliest period presented.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non- current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

The directors of the Company anticipate that the application of the amendments in the future may affect the classification of the Group's liabilities and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of the amendments until the Group completes a detailed review.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Chief Executive Officer (the "**CEO**") reviews the "operating profit" as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment, coal business, which mainly operates its business in the PRC and Indonesia and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC and Indonesia. Geographical segments of the non-current assets are disclosed in note 6(c).

For the strategic business unit, the CEO reviews internal management reports on a monthly basis.

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to the reportable segment on the following basis:

- The measure used for reporting segment profit is adjusted profit before net finance costs and income tax credit items not specifically attributable to individual segments, such as unallocated head office and corporate expenses are further adjusted.

- Segment assets include all tangible assets, coal mining rights, right of use assets, interest in an associate and current assets with the exception of unallocated corporate assets. Segment liabilities include trade payables, other payables attributable to activities of the individual segments, accrued reclamation obligations and borrowings managed directly by the segment.

- Revenue and expenses are allocated to the reportable segment with reference to revenue generated by the segment and the expenses incurred by the segment.

	Coal business	
	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers	**3,449,182**	3,794,039
Inter-segment revenue	**–**	–
Reportable segment revenue	**3,449,182**	3,794,039
Reportable segment profit before taxation	**534,923**	1,021,808
Depreciation and amortisation	**(921,443)**	(962,249)
Net loss on disposal of property, plant and equipment	**(49)**	(210)
Impairment losses on other receivables, net	**(3)**	(3,082)
Impairment losses on property, plant and equipment	**(32,712)**	–
Impairment losses on coal mining rights	**(12,443)**	–
Additions to property, plant and equipment	**1,121,038**	768,003
Reportable segment assets	**8,603,697**	8,348,550
Reportable segment liabilities	**(7,367,925)**	(6,490,787)

(b) Reconciliations of reportable segment revenue, profit before taxation, assets and liabilities

Revenue

	2023	2022
	RMB'000	*RMB'000*
Total of reportable segments revenue	**3,449,182**	3,794,039
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**3,449,182**	3,794,039

Profit before taxation

	2023	2022
	RMB'000	*RMB'000*
Total of reportable segments profit before taxation	**528,359**	1,021,808
Unallocated head office and corporate expenses	**(4,500)**	(1,338)
Net finance costs	**(171,722)**	(253,689)
Consolidated profit before taxation	**352,137**	766,781

Assets

	2023	2022
	RMB'000	*RMB'000*
Total of reportable segments assets	**8,603,697**	8,348,550
Elimination of inter-segment receivables	**(752,750)**	(699,208)
Unallocated assets	**6,626**	201,189
Consolidated total assets	**7,857,573**	7,850,531

Liabilities

	2023	2022
	RMB'000	*RMB'000*
Total of reportable segments liabilities	**7,367,925**	6,490,787
Elimination of inter-segment payables	**(950,259)**	(530,344)
Tax payable	**289,656**	350,097
Deferred taxation	**538,497**	621,932
Unallocated liabilities	**292,836**	104,848
Consolidated total liabilities	**7,538,655**	7,037,320

(c) Geographic information

All of the Group's revenue from external customers is attributed to the Group entities' country of domicile (i.e. in the PRC).

The business of the Group operates in different geographic areas. The geographical location of the Group's non-current assets as follows:

	2023	2022
	RMB'000	*RMB'000*
PRC (including Hong Kong)	**4,241,726**	5,088,230
Indonesia	**1,769,401**	757,207
	6,011,127	5,845,437

(d) Information about major customers

During the year, revenue derived from the following customers in coal business segment with whom transactions have exceeded 10% of the Group's revenue are as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**1,192,352**	970,472
Customer B	**636,466**	650,161
Customer C	**487,647**	625,983
Customer D*	**458,102**	–*

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

5. REVENUE

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2023	2022
	RMB'000	*RMB'000*
Sales of coal	**3,449,182**	3,794,039

Revenue from sales of goods are recognised when the goods are transferred at a point in time. The performance obligation is satisfied upon the delivery of the goods.

6. OTHER INCOME, GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Loss on substantial modification upon loan restructuring – Loan I *(Note 16)*	**(211,121)**	–
Gain on substantial modification upon loan restructuring – Loan IV *(Note 16)*	**202,139**	–
Gain on substantial modification upon loan restructuring – Loan V *(Note 16)*	**–**	11,321
(Loss)/gain on substantial modification upon loan restructuring *(Note 16)*	**(8,982)**	11,321
(Loss)/gain on non-substantial modification of borrowings, net *(Note 16)*	**(5,476)**	31,203
Foreign exchange gain, net	**4,316**	20,656
Net loss on disposal of property, plant and equipment	**(49)**	(210)
Government subsidies	**3,211**	17,488
Fair value gain on financial asset at fair value through profit or loss	**–**	438
Others	**8,996**	4,637
	2,016	85,533

7. NET FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest income	**(12,950)**	(16,197)
Interest on borrowings	**121,169**	123,197
Interest charge on unwinding of discounts *(note (ii))*	**118,305**	158,454
Total interest expense on financial liabilities not at fair value through profit or loss	**239,474**	281,651
Less: Interest capitalised into property, plant and equipment *(note (i))*	**(54,802)**	(11,765)
Finance costs	**184,672**	269,886
Net finance costs	**171,722**	253,689

Notes:

(i) During the year ended 31 December 2023, the finance costs have been capitalised at a rate of 7.13% (2022: 6.69%) per annum.

(ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	2023	2022
	RMB'000	*RMB'000*
Borrowings *(note 16)*	**138,359**	147,083
Lease liabilities	**631**	978
Accrued reclamation obligations *(note)*	**(20,685)**	10,393
	118,305	158,454

Note: During the year ended 31 December 2023, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations by reference to the latest geological environment protection and land reclamation plans of Xinglong Coal, Hongyuan Coal and SDE Coal Mine prepared by geological survey experts engaged by the Group for the change of development and production plans. As a result, the property, plant and equipment and the accrued reclamation obligation has decreased by RMB39,971,000 and RMB66,384,000 (2022: nil and nil) respectively and the corresponding interest charge on unwinding of discounts of RMB26,413,000 (2022: nil) has been reversed during the year. In addition, the interest charge on unwinding of discounts of RMB5,728,000 (other than the aforesaid reassessment) has been recognised during the year.

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories *(note (i))*	**1,752,866**	1,840,799
Short-term leases payment	**1,980**	2,261
Depreciation of property, plant and equipment	**426,421**	324,711
Amortisation of coal mining rights (included in cost of sales)	**491,012**	622,739
Depreciation of right-of-use assets	**5,275**	15,589
Auditors remuneration		
– audit services	**2,527**	2,324
– non-audit services	**1,873**	1,722
Employee benefit expenses (excluding directors and chief executives remuneration)		
– Salaries, allowances and benefits in kind	**588,281**	504,167
– Contributions to retirement benefit schemes	**41,274**	36,093
	629,555	540,260

Note:

(i) Cost of inventories included approximately RMB1,305,536,000 (2022: RMB1,416,740,000) relating to employee benefit expenses, depreciation of property, plant and equipment and amortisation of coal mining rights which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of comprehensive income represents:

	2023	2022
	RMB'000	*RMB'000*
Current tax expense		
– PRC Corporate Income Tax	**223,329**	286,017
– Underprovision of PRC Corporate Income Tax in prior years	**20,216**	74
	243,545	286,091
Deferred tax	**(83,435)**	(9,346)
Income tax expense	**160,110**	276,745

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (2022: Nil).

(ii) Provision for the Hong Kong Profit Tax was based on the statutory rate of 16.5% (2022: 16.5%) of the assessable profit of subsidiaries which carried on business in Hong Kong.

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2022: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) Provision for the Indonesia Corporate Income Tax was based on the statutory rate of 22% (2022: 22%) of the assessable profits of subsidiaries which carried on businesses in the Indonesia. No provision for Indonesia Corporate Income Tax has been made in the consolidated financial statements as the Group had no assessable profits in Indonesia for the years ended 31 December 2023 and 2022.

10. EARNINGS PER SHARE

Basic earnings per share

The calculations of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2023 and 2022 respectively are based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to equity shareholders of the Company	**200,346**	456,543
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(5,273)**	(5,054)
Profit for the year attributable to ordinary equity shareholders of the Company in calculating basic earnings per share	**195,073**	451,489
Shares	**Number of shares**	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,493,413,985**	2,493,413,985

Diluted earnings per share

The calculations of diluted earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2023 and 2022 respectively are based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	**195,073**	451,489
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**5,273**	5,054
Adjusted profit for the year attributable to equity shareholders of the Company used in calculating diluted earnings per share	**200,346**	456,543

Shares	**Number of shares**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,493,413,985**	2,493,413,985
Adjustments for calculation of diluted earnings per share: Perpetual subordinated convertible securities	**118,000,000**	118,000,000
Adjusted weighted average number of shares classified as equity for the purpose of diluted earnings per share	**2,611,413,985**	2,611,413,985

For the years ended 31 December 2023 and 2022, the computation of diluted earnings per share has not assumed the exercise of the Company's outstanding share options since the adjusted exercise prices of these options were higher than the average market prices of shares for the outstanding period during the years ended 31 December 2023 and 2022.

11. DIVIDEND

The directors of the Company do not recommend the payment of any dividends to its ordinary shareholders for the year ended 31 December 2023 (2022: nil).

12. COAL MINING RIGHTS

The balance represents the rights to conduct mining activities in Shanxi Province, PRC and South Kalimantan, Indonesia. The Group has no formal title of ownership over the lands where the PRC mine sites are located, hence none of the carrying amount of right-of-use assets relates to these lands located in the PRC. The Department of Land Resources of Shanxi Province, PRC and Kalimantan Province, Indonesia issued and renewed several mining rights certificates to the Group. Details of the Group's coal mining rights are as follows:

Coal mining rights	Expiry date
Shanxi Province, PRC	
Xingtao Coal Mine	14 September 2034
Fengxi Coal Mine	24 January 2034
Chongsheng Coal Mine	14 December 2039
Xinglong Coal Mine	29 November 2019
Hongyuan Coal Mine	13 July 2030
Kalimantan, Indonesia	
SDE Coal Mine	14 May 2034

During the year ended 31 December 2023, the coal prices were relatively lower than those in prior year. The directors of the Company, with the assistance from independent professional qualified valuers, assessed and concluded that the estimated recoverable amounts of certain of the cash-generating units as at 31 December 2023 was lower than the respective carrying amounts of the cash-generating unit. As a result, the carrying amount of coal mining rights was written down to their recoverable amount of RMB1,864,159,000. An impairment loss of RMB12,443,000 was recognised for the year ended 31 December 2023.

As at 31 December 2023, the Group's coal mining rights in the PRC with net carrying amount of approximately RMB1,830,198,000 (2022: RMB2,333,653,000) were pledged for the Group's borrowings (Note 16).

In respect of the expiry of coal mining rights of Shanxi Xinzhou Shenchi Xinglong Coal Company Limited ("**Xinglong Coal**"), the directors of the Company are of the opinion that the renewal of mining rights certificates by the relevant government authorities is highly probable as long as the Group submits the relevant regulation documents and fully settles the mineral exploration and mining right expense, and the renewal of the mining rights certificates can be completed at minimal cost. In addition, with reference to the legal opinion from an external lawyer engaged by the Group, the Group will be able to continuously renew the mining rights and the business licenses of the respective mining subsidiaries at minimal charges.

13. PROPERTY, PLANT AND EQUIPMENT

As described in note 12, the directors of the Company estimated the recoverable amounts of each of the cash-generating units to which coal mining rights and related property, plant and equipment have been allocated. As a result, an impairment losses on the Group's related property, plant and equipment, amounting to approximately RMB32,712,000 was recognised for the year ended 31 December 2023.

As at 31 December 2023, the carrying amounts of coal mining related property, plant and equipment amounted to RMB3,810,074,000 (2022: RMB3,404,125,000).

14. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**102,043**	215,169
Less: allowance for credit loss	**(36,302)**	(36,302)
	65,741	178,867

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB218,723,000.

Ageing analysis

An ageing analysis of trade receivables (net of allowance for credit losses) of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 2 months	**43,234**	119,550
Over 2 months but within 6 months	**–**	–
Over 6 months but within 1 year	**–**	–
Over 1 year but within 2 years	**–**	–
Over 2 years (note)	**22,507**	59,317
	65,741	178,867

The ageing is counted from the date when trade receivables are recognised.

Note:

As at 31 December 2023, trade receivables aged over 2 years amounting to approximately RMB22,507,000 (2022: RMB59,317,000) were due from customers which the Group has trade and other payable balances with amounts not less than the respective trade receivables as at the end of the reporting period. Based on past experience and repayment history of the trade debtors, the directors of the Company believe that no impairment allowance is necessary in respect of these balances.

Credit terms granted to customers mainly range from 0 to 60 days (2022: 0 to 60 days) depending on customers relationship with the Group, their creditworthiness and past settlement record.

15. TRADE PAYABLES

An ageing analysis of trade payables of the Group based on invoice date is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**372,346**	187,906
Over 1 year but within 2 years	**32,557**	79,814
Over 2 years	**15,696**	119,844
	420,599	387,564

16. BORROWINGS

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Bank loans			
− Secured	*(i)*	**731,799**	74,676
− Unsecured	*(ii)*	**531,000**	590,990
		1,262,799	665,666
Other borrowings	*(iii)*		
− Secured Loan I (as defined below)		**1,666,520**	2,008,380
− Secured Loan II (as defined below)		**98,533**	107,070
− Secured Loan III (as defined below)		**492,444**	492,444
− Unsecured		**45,746**	247,200
		2,303,243	2,855,094
Total borrowings		**3,566,042**	3,520,760

Notes:

(i) Secured bank loans bear interest at rates of 1.85% to 4.00% (2022: 2.50%) per annum as at 31 December 2023.

(ii) Unsecured bank loans bear interest at rates ranging from 5.40% to 7.80% (2022: 5.85% to 7.80%) per annum as at 31 December 2023.

(iii) Other borrowings bear interest at rates ranging from 7.24% to 7.31% (2022: 4.91% to 7.28%) per annum as at 31 December 2023.

As at 31 December 2023, borrowings of the Group were repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,876,125**	3,447,453
Over 1 year but within 2 years	**1,337,917**	1,370
Over 2 years but within 5 years	**352,000**	71,937
	1,689,917	73,307
	3,566,042	3,520,760

Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB 492,444,000 (2022: RMB1,330,634,000), in which the aggregate amount of RMB492,444,000 (2022: RMB739,644,000) was past due, and aggregate amounts of nil (2022: RMB535,990,000) and nil (2022: RMB55,000,000) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had been due for immediate payment.

The interest payables of borrowings not yet past due but due for immediate payment due to occurrence of default events (including the breach of cross default clauses) and of borrowings that have become past due amounting to approximately nil (2022: RMB207,000) and RMB176,405,000 (2022: RMB219,511,000) respectively were included in the other payables.

As at 31 December 2023, unsecured bank loans, secured other borrowings and unsecured other borrowings of nil (2022: RMB590,990,000), RMB492,444,000 (2022: RMB492,444,000) and nil (2022: RMB247,200,000) respectively, had been due for immediate payment (including those overdue or those due to breach of loan covenants and/or occurrence of default events (e.g. breach of cross default clauses). These borrowings carried interest at rates 4.91% to 7.28% (2022: 4.91% to 7.80%) per annum and also carried additional penalty interest at rate 2.26% to 3.50% (2022: 2.26% to 3.50%) per annum after past due.

Settlement Agreement of Loan I (as defined below) and its supplemental agreements

During the year ended 31 December 2018, the Group entered into a legal binding settlement agreement (the "**Settlement Agreement of Loan I**" or "**Loan I**") with an asset management company in the PRC, to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan I are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan I (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB4,609,216,000 derecognised and the fair value of RMB2,704,363,000 of the new borrowings recognised amounting to approximately RMB1,904,853,000 was recognised in profit or loss for the year ended 31 December 2018.

In March 2020, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement of Loan I**") with the asset management company to revise and extend the repayment schedule for year of 2020 and 2021. The repayment schedule for year of 2022 remained unchanged. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan I are not substantially different from the Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB10,700,000 to the carrying amount of the financial liability was recognised as other losses at the date of modification during the year ended 31 December 2020.

In December 2020, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement II of Loan I**") with the asset management company to revise and extend the repayment schedule for December 2020 and year of 2021. The repayment schedule for December 2020 has been changed to 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement II of Loan I are not substantially different from the Supplemental Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB183,651,000 to the carrying amount of the financial liability was recognised as other losses at the date of modification during the year ended 31 December 2020.

In March 2022, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement III of Loan I**") with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement III of Loan I are not substantially different from the Supplemental Settlement Agreement II of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB33,261,000 to the carrying amount of the financial liability was recognised as other gain as set out in note 6 at the date of modification during the year ended 31 December 2022.

In December 2023, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement IV of Loan I**") with the asset management company to revise the repayment schedule for year of 2023. The management of the Group considers that the terms of the Settlement Agreement of Loan IV are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan IV (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB1,769,819,000, and recognised new borrowings measured at fair value amounting to RMB1,974,941,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the borrowings derecognised and the aforesaid fair value of the new borrowings recognised amounting to approximately RMB211,121,000 was recognised as other losses as set out in note 6 at the date of modification during the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of the Group's borrowings from the asset management company was approximately RMB1,666,520,000 (31 December 2022: RMB2,008,380,000).

The Settlement Agreement of Loan I contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB102,856,000 (31 December 2022: RMB4,027,188,000 and RMB458,887,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplement Settlement Agreement III of Loan I. There is no occurrence of event of default under the Settlement Agreement of Loan I, Supplemental Settlement Agreement of Loan I, Supplemental Settlement Agreement II of Loan I, Supplemental Settlement Agreement III of Loan I and Supplemental Settlement Agreement IV of Loan I so far up to the end of the reporting period (31 December 2022: no occurrence of event of default).

Settlement Agreement of Loan II (as defined below)

In May 2021, the Group entered into another legally binding settlement agreement (the "**Settlement Agreement of Loan II**" or "**Loan II**") with the asset management company to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB295,739,000 and RMB108,647,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan II are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan II (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB295,739,000 and interest payable of RMB108,647,000 outstanding, and recognised new borrowings measured at fair value amounting to RMB165,713,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the borrowings and interest payables derecognised and the aforesaid fair value of the new borrowings recognised amounting to approximately RMB238,673,000 was recognised as other gain at the date of modification during the year ended 31 December 2022.

In February 2022, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement of Loan II**") with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan II are not substantially different from the Settlement Agreement of Loan II as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB2,058,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification during the year ended 31 December 2022.

In December 2023, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement II of Loan II**") with the asset management company to revise the repayment schedule for year of 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement II of Loan II are not substantially different from the Supplemental Settlement Agreement of Loan II as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB5,476,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification during the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of the Group's borrowings from the asset management company in respect of Loan II was approximately RMB98,533,000 (31 December 2022: RMB107,070,000).

The Settlement Agreement of Loan II contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB295,206,000 and RMB114,159,000 (31 December 2022: RMB295,206,000 and RMB108,432,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplemental Settlement Agreement of Loan II. There is no occurrence of event of default under the Settlement Agreement of Loan II and Supplemental Settlement Agreement of Loan II so far up to the end of the reporting period (31 December 2022: no occurrence of event of default).

Settlement Agreement of Loan III (as defined below)

In December 2021, the Group entered into a legally binding settlement agreement (the "**Settlement Agreement of Loan III**" or "**Loan III**") with an asset management company to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests in arrears) amounting to approximately RMB492,444,000 and RMB261,645,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan III are substantially different as the Settlement Agreement of Loan III (with revised repayment schedules, default clauses, change of lender, etc.) superseded the respective original bank loan agreement. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB492,444,000 and interest payables of RMB261,645,000 outstanding, and recognised new borrowings and interest payables amounting to RMB492,444,000 and RMB261,645,000 respectively based on the terms of Loan III, as at the date of extinguishment. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification. As at 31 December 2022, the carrying amounts of the Group's borrowings from the asset management company in respect of Settlement Agreement of Loan III and the related interest payable were approximately RMB492,444,000 and RMB226,479,000 respectively, which are included in current liabilities. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification during the year ended 31 December 2021.

As at 31 December 2023, the carrying amounts of the Group's borrowings from the asset management company in respect of Loan III and the related interest payable were approximately RMB492,444,000 and RMB176,405,000 (31 December 2022: RMB492,444,000 and RMB199,402,000) respectively, which are included in current liabilities.

The Settlement Agreement of Loan III contained a conditional clause which the Group, unless otherwise notified by the asset management company to repay the outstanding balance of the original borrowings and interest payable or the Group fails to repay in accordance with the revised repayment schedule, should repay the borrowings by instalment in accordance with the respective revised repayment schedule and the total sum of the instalments is less than the outstanding balance of the original borrowings and interest payable, as stipulated in the Settlement Agreement of Loan III. Therefore, as at 31 December 2023, the carrying amount of Loan III and its related interest due for repayment, based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III and without taking into account the effect of any demand by the asset management company to repay the outstanding balance of the original borrowings and interest payable and the Group's failure to repay in accordance with the revised repayment schedule, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**219,918**	50,602
Over 1 year but within 2 years	**–**	219,918
	219,918	270,520

Due to the above-mentioned conditional clause and the conditions have not been satisfied so far up to the end of the reporting period, new borrowing and interest payable with carrying amounts of RMB492,444,000 and RMB176,405,000 (31 December 2022: RMB492,444,000 and RMB199,402,000) respectively in respect of Settlement Agreement of Loan III were recognised in the Group's consolidated statement of financial position as at 31 December 2023.

There is no occurrence of event of default under the Settlement Agreement of Loan III as at the end of the reporting period (2022: no occurrence of event of default).

Settlement Agreement of Loan IV (as defined below)

In December 2023, the Group entered into another legally binding settlement agreement (the "**Settlement Agreement of Loan IV**" or "**Loan IV**") with the asset management company to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB247,200,000 and RMB80,060,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan IV are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan IV (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB247,200,000 and interest payable of RMB80,060,000 outstanding, and recognised new borrowings measured at fair value amounting to RMB125,121,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the borrowings and interest payables derecognised and the aforesaid fair value of the new borrowings recognised amounting to approximately RMB202,139,000 was recognised as other gain as set out in note 6 at the date of modification during the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of the Group's borrowings from the asset management company in respect of Loan IV was approximately RMB45,746,000 (31 December 2022: RMB247,200,000).

Other

During the year ended 31 December 2022, the Group entered into a legal binding settlement agreement (the "**Settlement Agreement of Loan V**" or "**Loan V**") with an asset management company in the PRC, to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests) amounting to approximately RMB50,870,000 and RMB22,641,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan V are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan V (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB50,870,000 and RMB22,641,000 derecognised and the fair value of RMB62,190,000 of the new borrowings recognised amounting to approximately RMB11,321,000 was recognised as other gain as set out in note 6 at the date of modification. During the year ended 31 December 2023, the outstanding principal amount and relevant interest (including penalty interests) of Loan V was fully settled by the Group.

The Group's secured borrowings (including those due for immediate payment and those not due for immediate payment) are secured by the following assets of the Group:

		2023	2022
	Notes	***RMB'000***	*RMB'000*
Property, plant and equipment	*13*	**139,069**	255,348
Coal mining rights	*12*	**1,830,198**	2,333,653

As at 31 December 2023 and 2022, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu is the shareholder, a property held by Mr. Xu, Fortune Pearls equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Yangyuan Guotong and Shuozhou Guangfa. As at 31 December 2023, total borrowings of approximately RMB2,834,243,000 (2022: RMB3,446,084,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

17. CONTINGENT LIABILITIES/PROVISION

(a) Outstanding litigations

(i) Litigation claims relating to dividends to non-controlling shareholders of Huameiao Energy

On 1 September 2020, there was a litigation initiated by the non-controlling shareholders against the Group to claim for their entitled benefits in respect of acquiring 20% of coal production of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine held by subsidiaries of Huameiao Energy from the year of 2013 to 2020 at production cost prices as the distributions entitled to non-controlling shareholders of Huameiao Energy for the aforesaid period, which were equivalent to aggregate amount of approximately RMB705,860,000.

Pursuant to the judgment issued by the Shanxi Provincial Shuozhou Municipal Intermediate People's Court on 14 October 2023, the Group was ordered to deliver 6.03 million tonnes of coal to non-controlling shareholders without any charge. The directors of the Company are of the opinion that the court judgment deviated from the legal claims by the non-controlling shareholders and also the clauses stated in the relevant shareholders' agreements. Subsequently, the Group filed an appeal, which was accepted by Shanxi Provincial High People's Court. Up to the date when the consolidated financial statements are authorised for issue, the litigation claim is still in progress.

(ii) Litigation claims relating to repayment to a former shareholder of an acquired business of Huameiao Energy

In February 2021, the Group received notice from the Shanxi Provincial Shuozhou Municipal Intermediate People's Court that a lawsuit was filed by a former shareholder of an acquired business of Huameiao Energy against the Group to claim for unsettled consideration payment amounting to RMB30,469,000 for transfer of business and related compensation amounting to RMB3,000,000.

Pursuant to the judgement issued by the Supreme People's Court of the People's Republic of China, dated 29 November 2023, the court dismissed the appeal application filed by the former shareholder due to the lack of substantial evidence and legal basis. The directors of the Company believe that no compensation is required to be paid to the former shareholder.

(iii) Litigation claims relating to the performance of the contract execution between Yu Lin Zhong Kuang Wan Tong Construction Limited Company ("Yu Lin Zhong Kuang") and Hongyuan Coal

During the year ended 31 December 2019, Yu Lin Zhong Kuang initiated a litigation claim against the Group to demand for economic losses in relation to the suspension of construction project of coal mining infrastructure, of which amount are related to compensation to the staff costs and equipment costs incurred during the implementation of the project. The court order for the claim is approximately RMB10,121,000.

Pursuant to the judgement issued by Shanxi Provincial Shuozhou Municipal Intermediate People's Court, dated 17 November 2023, the Group was ordered to make immediate repayment of part of the payable, which are part of the aforesaid payable to this supplier of approximately RMB3,000,000 and late penalty interest of approximately RMB24,000. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the consolidated statement of financial position as at 31 December 2023.

(iv) Litigation claims relating to the performance of the purchase contract execution between Shanxi Yunxin International Trade Co., Ltd ("Shanxi Yunxin") and Huameiao Energy and Fengxi Coal

During the year ended 31 December 2019, there was a litigation claim initiated by Shanxi Yunxin against the Group to demand immediate repayment of overdue payable in relation to purchases of consumables and equipment by the Group. The overall claim amount of approximately RMB71,522,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB17,398,000. Up to the date when the consolidated financial statements are authorised for issue, the litigation claim is still in progress.

The directors of the Company are of the opinion in respect of all the above litigation that the Group has a valid ground to defend against the claim or else made sufficient provision when necessary in the consolidated statement of financial position as at 31 December 2023.

Other than the disclosure of above, as at 31 December 2023, the Group was not involved in any other material litigation or arbitration. As far as the directors of the Company were aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2023, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

As at the end of each reporting period, the Group has issued the guarantees to certain banks and one other borrowing creditor in respect of borrowings made by Tongmei Qinfa, an associate of the Group. Under the guarantee, the Group that is a party to the guarantee are jointly and severally liable for any of the borrowings of Tongmei Qinfa from those banks and the other borrowing creditor.

The maximum liability of the Group at 31 December 2023 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB259,000,000 (2022: RMB259,000,000).

(c) Borrowing default clause

The settlement agreements entered into between the Group and asset management companies contained default clauses which the Group will be required to repay the outstanding balance of the original borrowings and interest payable if the Group fails to repay the new borrowings by instalments in accordance with the respective repayment schedule. Particulars of the settlement agreements are disclosed in note 16.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage and blending of coal in the PRC and Indonesia. During the year ended 31 December 2023, the Group continued to focus on these business activities and expanded its integrated coal supply chain to the overseas.

BUSINESS REVIEW

As the COVID-19 pandemic that has lasted for three years has subsided, China's economy and society have fully returned to normal operations since the first quarter of 2023. However, it will still take longer for domestic productivity to fully return to the growth trajectory before the pandemic.

Accelerating the release of high-quality production capacity to ensure the supply of thermal coal has remained the central tenet of the coal industry. According to the National Bureau of Statistics, raw coal output in 2023 was 4.66 billion tonnes, representing a year-on-year increase of 2.9%. Imported coal was 470 million tonnes, representing a year-on-year increase of 61.8%. From the supply side, new domestic production capacity has continued to be released in 2023. At the same time, due to factors such as China's opening up of Australian coal imports and Russia's coal trade moving eastward due to Western sanctions, the total amount of imported coal this year has surged as compared with last year, and the coal inventory levels has been at a high level. From the demand side, the macroeconomy has been in an adjustment stage, and the demand for thermal coal from domestic downstream industries has yet to be fully released. Domestic thermal coal has maintained the fundamentals of broad supply and demand.

Overall, the coal market price in 2023 has showed a trend of first falling and then rising. Under the policy of improving the coal market price formation mechanism promoted by China, coal prices have fallen from the highs in 2022. However, coal prices have not fluctuated significantly and have stabilized within a reasonable range.

Renewal of SDE Coal Mine' Mining Business License

The Indonesian coal mine project has been one of the Group's major investment projects in recent years. On 25 May 2021, the Group acquired 70% equity interests in PT Sumber Daya Energi ("**SDE**"), which held the coal mining operation license of the Sungai Durian coal mine in Kotabaru, South Kalimantan Province, Indonesia. After several years of active preparations, SDE has begun operating coal mining trials in Indonesia in the fourth quarter of 2023.

In 2023, SDE has successfully renewed its mining business license in respect of a coal mine located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia. The renewed mining business license will expire on 14 May 2034. The Group further acquired 5% equity interest of SDE from a third party during the year. As at 31 December 2023, the Group holds 75% equity interests in SDE.

Coal Excavator Procurement and Coal Sales Agreement

On 5 January 2023, Qingdao Qinfa Energy Ltd. ("**Qinfa Energy**"), an indirect wholly-owned subsidiary of the Company, entered into a coal sales agreement with Zhengzhou Coal Mining Machinery Group Company Limited ("**ZMJ**") for a term starting from 5 January 2023 to 31 December 2023, pursuant to which, Qinfa Energy would sell 200,000 tonnes of coal to ZMJ per year, which would then be resold by ZMJ to two existing customers of the Company. The sole purpose of the above arrangement is to ensure that under the purchase contract dated 28 December 2022 entered into between Qingdao Qinfa Materials Supply Limited ("**Qingdao Qinfa**"), another indirect wholly-owned subsidiary of the Company, and ZMJ, Qingdao Qinfa will fulfil its payment obligations to ZMJ.

Amendments to Heads of Agreement C and Heads of Agreement G

As disclosed by the Company in the announcements dated 31 October 2023 and 7 November 2023, as advised by the Minister of Energy and Mineral Resources in Indonesia, the transfer of Mining Business License C and Mining Business License G from the Sellers to IMJ and VSE will not be approved by the Minister of Energy and Mineral Resources in Indonesia unless the Group's shareholding interests in IMJ and VSE be reduced from 75% to 70%. Accordingly, the Group revised Heads of Agreement C and the Heads of Agreement G to reduce its shareholding interests in IMJ and VSE from 75% to 70% in order to comply with the foreign ownership limitation.

As of 31 December 2023, the Group owned five coal mines in China and one coal mine in Indonesia. The table sets forth certain information about these coal mines.

	Location	Ownership	Site area *(sq. km)*	Production capacity *(million tonnes)*	Operation status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi	80%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – SDE Coal	Kalimantan, Indonesia	75%	185	N/A	Trial operation

COAL CHARACTERISTICS

Characteristics and typical commercial coal quality of the commercial coal produced by the Group's operating mines are as follows:

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal
Coal Seam	4, 8, 9, 10, 11	11	9.2, 11	2, 5	2, 5, 6	B
Moisture *(%)*	7–10	8–12	8–12	8.5	8.5	6.8–7.7
Ash *(db, %)*	20–28	20–28	20–28	21.45	30–72	33.7–35.1
Sulfur *(db, %)*	1.4–1.9	1.2–1.6	1.6–2.5	1.52	1.45	0.6–1
Calorific Value *(average, kcal/kg, net, ar)*	4,650–5,200	4,500–5,100	4,600–5,150	4,838	4,187	4,450–4,500

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal	Total
Reserves							
Reserves as of 1 January 2023 *(Mt)*	12.41	6.87	4.43	13.50	10.46	308.71	356.38
Less: Total coal reserve depleted from mining operation for the year *(Mt)*	(2.88)	(2.89)	(1.74)	–	–	(0.76)	(8.27)
Reserves as of 31 December 2023 *(Mt)*	**9.53**	**3.98**	**2.69**	**13.50**	**10.46**	**307.95**	**348.11**
– Proven reserves	5.51	–	–	–	–	8.70	14.21
– Probable reserves	4.02	3.98	2.69	13.50	10.46	299.25	333.90
Resources (measured + indicated)							
Resources as of 1 January 2023 *(Mt)*	44.83	8.12	9.88	35.08	20.87	589.22	708.00
Less: Total coal reserve depleted from mining operation for the year *(Mt)*	(2.88)	(2.89)	(1.74)	–	–	(0.31)	(7.82)
Resources (measured + indicated) as of 31 December 2023 *(Mt)*	**41.95**	**5.23**	**8.14**	**35.08**	**20.87**	**588.91**	**700.18**
Resources (inferred) as of 31 December 2023 *(Mt)*	**5.82**	**1.40**	**3.97**	**10.75**	**2.58**	**379.4**	**403.92**

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources of the Fengxi Coal, Chongsheng Coal and SDE Coal in Indonesia as at 31 December 2023 in accordance with the JORC Code.

The following table sets forth the full-year production figures at the abovementioned mines for the years indicated:

	Year ended 31 December	
	2023	2022
Raw coal production volume	***'000 tonnes***	*'000 tonnes*
Huameiao Energy – Xingtao Coal	**2,878**	1,837
Huameiao Energy – Fengxi Coal	**2,894**	2,259
Huameiao Energy - Chongsheng Coal	**1,740**	2,870
Sumber Daya Energi – SDE Coal	**139**	–
Total	**7,651**	6,966

	Year ended 31 December	
	2023	2022
Commercial coal production volume *(Note)*	***'000 tonnes***	*'000 tonnes*
Huameiao Energy – Xingtao Coal	**1,870**	1,188
Huameiao Energy – Fengxi Coal	**1,881**	1,468
Huameiao Energy – Chongsheng Coal	**1,131**	1,866
Total	**4,882**	4,522

Note: According to the competent person's report as at cut-off date of 31 December 2021, the historical operation of the Xingtao Coal achieved an average of 65% of mixed marketable raw coal yield. According to the competent person's report as at cut-off date of 31 December 2023, the historical operation of the Fengxi Coal and Chongsheng Coal achieved an average of 65% of mixed marketable raw coal yield.

Exploration, Mining and Development Expenses

The Group's exploration, mining and development expenses consist of the following amounts:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Materials and consumables	**210,661**	115,022
Staff cost	**406,239**	455,921
Utilities	**47,635**	59,951
Overhead and others	**1,038,803**	1,152,120
Evaluation fee	**113**	1,054
Total	**1,703,451**	1,784,068

FINANCIAL REVIEW

Revenue

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Coal business	**3,449,182**	3,794,039
	3,449,182	3,794,039

Coal business

	Year ended 31 December	
	2023	2022
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading Volume of Coal Business	**5,187**	4,528

During the year ended 31 December 2023, the volume of the Group's coal handling and trading decreased as compared with 2022. The coal selling prices during the year ended 31 December 2023 were in range between RMB330 per tonne and RMB941 per tonne, as compared to the coal selling prices between RMB528 per tonne and RMB1,295 per tonne in 2022. Average coal selling price decreased during the year.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2023 are set forth in the table below:

	Year ended 31 December		
	2023	2022	2021
Average coal selling price *(RMB per tonne)*	**665**	838	736
Average monthly coal handling and trading volume *('000 tonnes)*	**432**	377	510

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**347,342**	**10.1**	850,414	22.4
Coal traders	**3,101,840**	**89.9**	2,943,625	77.6
Total	**3,449,182**	**100**	3,794,039	100

Cost of Sales

Cost of sales of the Group in 2023 amounted to RMB2,571.2 million, representing a decrease of 4.0% compared with RMB2,520.8 million in 2022. The cost remained constant.

The table below set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2023	2022
	RMB million	*RMB million*
Cost of coal transportation	**868**	737
Cost of self-produced coal	**1,703**	1,784
Materials, fuel, power	**258**	175
Staff costs	**406**	456
Depreciation and amortisation	**898**	958
Others	**141**	195
Total cost of sales of coal business segment	**2,571**	2,521

The Group produced coal mainly from Shanxi province in the PRC. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	Sales volume	**Revenue**	Sales volume	Revenue
Origins of coal	***'000 tonnes***	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**5,187**	**3,449,182**	4,528	3,794,039

The Group has stable coal production and has established stable cooperative relationships with its key PRC domestic customers.

Gross Profit

The Group's gross profit margin was 25.5% during the year ended 31 December 2023 as compared with gross profit margin of 33.6% during the year ended 31 December 2022. Gross profit margin decreased mainly due to the decrease in average selling price of thermal coal.

Other Income, Gains and Losses

During the year ended 31 December 2023, the Group's other income, gains and losses amounted to a net gain of RMB2.0 million, representing a decrease of approximately RMB83.5 million, as compared with a net gain of RMB85.5 million in 2022. The decrease in other income, gains and losses in 2023 was mainly due to a decrease in net gain on the substantial/non-substantial modification of borrowing from approximately RMB42.5 million for the year ended 31 December 2022 to net loss on non-substantial/non-substantial modification of borrowing approximately RMB14.5 million for the year ended 31 December 2023.

Distribution Expenses

Distribution expenses increased by 5.1% to RMB2.2 million for the year ended 31 December 2023, as compared with RMB2.1 million in 2022. The distribution expenses remained constant although trading volume increased.

Administrative Expenses

During the year ended 31 December 2023, the Group's administrative expenses amounted to RMB297.6 million, representing a decrease of 2.5%, as compared with RMB305.3 million in 2022. The administrative expenses remained constant.

Other Expenses

During the year ended 31 December 2023, the Group's other expenses amounted to RMB11.2 million, representing a decrease of 59.9%, as compared with RMB27.9 million in 2022. The decrease in other expenses was mainly due to decrease in penalty.

Net Finance Costs

Net finance costs of the Group in 2023 amounted to RMB171.7 million, representing a decrease of 32.3%, as compared with RMB253.7 million in 2022. The decrease was mainly due to repayment in borrowings.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2023 was RMB200.3 million, as compared with profit attributable to the equity shareholders of the Company of RMB456.5 million in 2022. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to:

(i) the decrease in the average coal selling price in 2023 as compared with 2022;

(ii) the increase in the coal handling and trading volume in 2023 as compared with 2022; and

(iii) impairment losses on property, plant and equipment and coal mining rights due to decrease in average coal selling price.

NET CURRENT LIABILITIES AND CURRENT RATIO

As of 31 December 2023, the Group had net current liabilities of RMB3,324.8 million, compared with RMB4,155.8 million as of 31 December 2022. The Group's current ratio as of 31 December 2023 was 0.36, compared with 0.33 as of 31 December 2022. The current liabilities and current ratio was improved because repayment schedule of certain borrowing is renewed.

CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 December 2023, the Group incurred an aggregate capital expenditure of RMB1,136.3 million (2022: RMB780.3 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as of 31 December 2023 amounted to RMB26.2 million (2022: RMB264.4 million), which were mainly related to the purchase of plant and equipment.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company during the year. The capital of the Group companies are mainly the ordinary shares and perpetual subordinated convertible securities ("**PSCS**").

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 31 December 2023, the Group recorded net current liabilities of RMB3,324.8 million (2022: RMB4,155.8 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As of 31 December 2023, the cash and cash equivalents of the Group amounted to RMB302.7 million (2022: RMB856.6 million) because of the repayment of loan at the end of 2023.

As at 31 December 2023, the bank and other borrowings of the Group amounting to RMB1,876.1 million (31 December 2022: RMB3,447.5 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB492.4 million (31 December 2022: RMB1,330.6 million), in which the aggregate amount of RMB492.4 million (31 December 2022: RMB739.6 million) was past due, and aggregate amounts of nil (31 December 2022: RMB536.0 million) and nil (2022: RMB55.0 million) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 2.5% to 7.8% (as at 31 December 2022: 2.5% to 7.8%) per annum.

As at 31 December 2023, the Group had total banking and other borrowing facilities of RMB3,566.0 million (2022: RMB3,520.8 million), of which RMB3,566.0 million (2022: RMB3,520.8 million) were utilised.

As at 31 December 2023, the Group's cash and cash equivalents, mainly except amount of RMB12.7 million in United States dollars ("**USD**"), amount of RMB0.8 million in HKD, amount of RMB21.6 million in Indonesian Rupiah, amount of RMB1.7 million in Euro, amount of RMB0.7 million in Singapore Dollar, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2023 was 29.8% (2022: 32.1%). The gearing ratio decreased due to repayment of loan during the year of 2023.

For the funding policy, the Group funds its working capital and other capital requirements from a combination of various sources, including but not limited to internal resource and external borrowing at reasonable interest rates.

For the treasury policy, the Group adopts centralized management on financing activities and prudent financial management approach on the use of capital.

As at 31 December 2023, the Group had total banking and other borrowing of RMB3,566.0 million (31 December 2022: RMB3,520.8 million), of which RMB84.1 million (31 December 2022: RMB74.7 million) were made in Euro and RMB3,481.9 million (31 December 2022: RMB3,446.1 million) were made in RMB.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. The Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2023, the Group's assets in an aggregate amount of RMB2,899.5 million (2022: RMB2,732.7 million) in forms of property, plant and equipment, coal mining and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDER

Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua, the controlling shareholder, pledged 949,000,000 shares of the Company, representing approximately 38.06% of the issued share capital of the Company, for the purpose of securing the loans of approximately RMB1,666.5 million as at 31 December 2023 (as at 31 December 2022: RMB2,008.4 million) owed by certain subsidiaries of the Group to a creditor. In addition, pursuant to the debt restructuring proposal, if there is any material change in the shareholding of the Company held by the controlling shareholder of the Company, the creditor shall have the right to withdraw the debt reduction and the revised repayment schedule granted to the Group. For details, please refer to the announcement of the Company dated 9 August 2018.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES AND LITIGATIONS

Except for certain matters related to litigations disclosed in Note 17 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2023.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2023

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

EMPLOYEES AND REMUNERATION

As of 31 December 2023, the Group employed 3,348 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

BUSINESS OUTLOOK

Looking forward to 2024, domestic stabilising economic policies will gradually be put into place, and production and supply are steadily increasing. It is expected that various policies and measures that China will continue to be introduced to stabilise, promote growth, and optimise the structure of the economy, which should increase market demand and improve the job market. From the demand side, good domestic economic fundamentals will support coal demand, and production capacity and demand are expected to be fully released in 2024.

From the supply side, China's policy of increasing production and ensuring supply will continue, and high-quality coal production capacity will continue to be released. The energy consumption structure in Asian countries is still dominated by coal. In the absence of new coal supply sources, competition for coal among countries will be fierce. It is expected that coal imports may decrease slightly as compared with 2023. Supply and demand of domestic thermal coal is expected to remain fundamentally sufficient.

Overall, the global economy in 2024 will face in-depth adjustment. However, as coal is expected to remain as a main energy source in the foreseeable future, and international tensions and the competition for coal procurement will support the international coal market price, the international coal price is expected to remain relatively stable under the influence of many international factors.

SDE Coal Mine is an important project in which the Group has invested huge resources in recent years. It is also a milestone in the Group's international expansion. Since the successful acquisition of SDE in Indonesia in 2021, the Group has been carrying out hard work in the local area until the first SDE mine officially started trial operation in the fourth quarter of 2023. In 2024, the Group will make full use of resources of SDE Coal Mine and carry out follow-up construction of the SDE project with high standards, including strengthening terminal construction to ensure that coal can be quickly transported by sea from the SDE mining area to ports in southern China. The Group will continue to develop new underground mining projects, promote the industrial upgrading of Indonesia's coal mining industry, assist the local coal industry in upgrading open-pit mining to underground mining, and import smart mining technology to the local area. At this stage, the second SDE mine is still under active construction. Once the second SDE mine begins its operation, it is believed that the synergy between the two SDE mines will create great development potential for the Group.

Creating profits is not the only focus of the Group's future development. It is equally important to protect and respect the interests of all stakeholders. The Group shoulders its social responsibilities and strictly adhere to Indonesia's labour, environmental protection, production safety and other requirements. In the future, the Group will further strengthen communication with local people and promote inclusion through social welfare activities such as building roads, building new schools and subsidising hospitals in local communities. In addition to investing in local communities, the Group will continue to actively recruit locally and improve the quality of human resources in the Indonesian mining industry through various training programmes, skills development and knowledge exchange.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the financial year ended 31 December 2023.

AUDIT COMMITTEE OF THE BOARD

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-executive Directors, namely Mr. HO Ka Yiu Simon, Prof. SHA Zhenquan and Mr. JING Dacheng. Mr. HO Ka Yiu Simon is the chairperson of the audit committee of the Board.

The audit committee has reviewed the audited consolidated financial statements of the Group for the financial year ended 31 December 2023.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which highlights that the Group had net current liabilities of approximately RMB3,324,762,000. As at 31 December 2023, the borrowings and accrued interest amounting to an aggregate amount of approximately RMB492,444,000 and approximately RMB176,405,000 respectively had been due for immediate payment. In addition, as at 31 December 2023, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately.

These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2023 (the "**Annual Report**") containing all the information required by Appendix D2 to the Listing Rules and any other applicable laws and regulations will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qinfagroup.com) in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 20 June 2024. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Thursday, 20 June 2024, the register of members will be closed from Thursday, 13 June 2024 to Thursday, 20 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 12 June 2024.

By Order of the Board
China Qinfa Group Limited
XU Da
Chairman

Guangzhou, 28 March 2024

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao and Mr. ZHAI Yifeng as the executive Directors and Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. HO Ka Yiu Simon as the independent non-executive Directors.